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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

Definition of Markets for)
Purposes of the Cable Television)
Mandatory Television Broadcast)
Signal Carriage Rules)

CS Docket No. 95-178

Implementation of Section 301(d))
of the Telecommunications Act of 1996)

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Market Determinations)

To: The Commission

REPLY COMMENTS OF PAXSON COMMUNICATIONS CORPORATION

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CORPORATION**

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SUMMARY

As the Commission prepares for the transition to a DMA standard for implementation of its must-carry rules, Paxson submits that the best way to guarantee that the Commission's limited resources are utilized efficiently is to (i) ensure that Congress' intent is followed by recognizing the strong presumption that a television station should be carried throughout its entire DMA; and (ii) return the market modification process to the limited, "fine-tuning" device intended by Congress.

Paxson supports the goal of administrative efficiency in the market modification process but strongly disagrees with the implementation plans proposed by the Commission and various commenters. In fact, by creating a standard that makes it relatively easy to deny a station's carriage rights, the proposed evidentiary requirements would serve only to undermine further the explicit Congressional preference for ADI or DMA-wide carriage -- and to impose a virtual flood of modification proceedings on an already overburdened agency staff.

In order best to comply with Congressional intent and minimize the administrative work-load associated with the market modification process, Paxson urges the Commission to revise the procedures used in dealing with requests to *delete* communities from a station's must-carry market. Paxson submits that the four-step approach set forth in its Comments is the most effective mechanism for improving the Commission's market modification process. Should the Commission choose not to use this opportunity to align implementation of the must-carry regime with Congressional intent, Paxson urges that, at a minimum, the Commission should apply a presumption

in favor of market-wide carriage for stations that commit to providing locally-produced public interest programming.

De novo review of past decisions is clearly appropriate. There is no principled basis for retaining market boundaries that were decided contrary to the will of Congress. Indeed, as expressed in the 1992 Cable Act, such boundaries should be subjected to a "fresh look."

In response to various requests that the Commission grant additional time for affected cable operators to comply with the DMA standard, Paxson submits that the Commission has already provided more than enough time to ensure that cable operators, broadcasters and consumers are not burdened by the transition from ADIs to DMAs.

Finally, Paxson urges the Commission to reject contentions that DMA modifications that are the product of a petition to Nielsen are invalid. Congress clearly intended that the Commission look to a "commercial publication" for market determinations, and Nielsen's decisions in this regard should be respected.

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Market Determinations

To: The Commission

REPLY COMMENTS OF PAXSON COMMUNICATIONS CORPORATION

Paxson Communications Corporation ("Paxson"), by its attorneys and pursuant to Section 1.415 of the Commission's Rules, hereby submits this Reply to the comments filed in response to the Commission's *Further Notice of Proposed Rulemaking* ("*Further Notice*") in the above-captioned proceeding.¹ As will be demonstrated more fully below, Paxson submits that the best way to guarantee that the Commission's limited resources are utilized efficiently is to ensure that Congress' intent is followed by (i) recognizing the strong presumption that a television station should be carried throughout its entire Designated Market Area ("DMA"); and (ii) returning the market modification process to the narrow, "fine-tuning" mechanism originally intended

¹*Report and Order and Further Notice of Proposed Rulemaking, Definition of Markets for Purposes of the Cable Television Mandatory Television Broadcast Signal Carriage Rules*, 11 FCC Rcd 6201 (rel. May 24, 1996) ("*Report and Order*").

by Congress. Paxson also urges the Commission to reject requests to provide for a longer transition period than that already contemplated by the Commission.

I. THE BUREAU'S PROCEDURES FOR DEALING WITH REQUESTS TO DELETE COMMUNITIES FROM A STATION'S MARKET SHOULD BE REVISED IN A MANNER THAT FURTHERS THE GOALS OF THE 1992 CABLE ACT AND ENSURE ADMINISTRATIVE EFFICIENCY

Several parties commented on the Commission's proposals to implement an administratively efficient mechanism for dealing with the market modification process.² Although Paxson supports the goal of administrative efficiency, it strongly disagrees with the methods proposed by the Commission and other commenters. As Paxson will demonstrate, the problem with the proposed evidentiary requirements is that, although easy to administer, they would often result in the denial of the must-carry rights intended by Congress. A better solution, Paxson submits, is to recognize a strong presumption in favor of carriage throughout the entire DMA -- the result intended by Congress -- and make the market modification process a rarely used exception to that general presumption.

² See e.g., Comments of the National Association of Broadcasters, CS Docket No. 95-178, at 4-5 (filed Oct. 31, 1996)("NAB Comments"); Comments of The Post Company, CS Docket No. 95-178, at 10-11 (filed Oct. 31, 1996)("Post Comments"); Comments of The Small Cable Business Association, CS Docket No. 95-178, at 2-3 (filed Oct. 30, 1996)("SCBA Comments").

A. The Market Modification Process Was Designed to Serve as a Limited Exception to the Norm of Market-Wide Carriage

In the Cable Television Consumer Protection and Competition Act of 1992 ("1992 Cable Act"),³ Congress established a general rule that a broadcast station should be carried on all cable systems located in the same Area of Dominant Influence ("ADI") as the station.⁴ As Paxson demonstrated in its initial comments, the 614(h) market modification process (which allows the Commission to deviate from that general rule) was designed to address the rare situation in which the commercial market designation does not reflect the marketplace reality.⁵ Paxson submits, however, that the Commission's current method for implementing the 614(h) process -- as overseen by the Cable Services Bureau ("Bureau") -- has, by providing an easy-to-meet standard for removal of a television station's right to carriage throughout its entire ADI, served to eviscerate the intent of Congress in passing the 1992 Cable Act while, at the same time, markedly increasing the administrative burden upon Commission resources.

Adoption of the *Further Notice's* proposed evidentiary requirements, particularly those that focus on "relevant community locations and geographic features," would serve only to codify and exacerbate these errors.⁶ Paxson wholeheartedly concurs with the observation of WRNN-TV Associates Limited Partnership ("WRNN") that "the . . .

³ Pub. L. No. 102-385, 1992 U.S.C.C.A.N (106 Stat.) 1460.

⁴ 47 U.S.C. § 534(a) and (h)(1)(C)(i).

⁵ Comments of Paxson Communications Corporation, CS Docket No. 95-178, at 17 (filed Oct. 31, 1996)("Paxson Comments").

⁶ See Post Comments at 10-11.

application of [the market modification] rules has degenerated into a de facto test of Grade B signal coverage, which alone does not reflect the amount of public service broadcasters actually provide a given community."⁷ Further, "[i]n an era when technology such as fiber optics, microwave relays, and translators renders the relevance of over-the-air signal coverage ancillary at best,"⁸ the Bureau paradoxically has chosen to rely upon a standard related almost solely to the over-the-air coverage of a station's primary signal.⁹ Given Congress' repeated and unambiguous rejection of any such mileage-based market definition, Paxson submits that the Bureau's use of a *de facto* Grade B standard serves only to perpetuate the dominance of larger, established stations

⁷ Comments of WRNN-TV Associates Limited Partnership, CS Docket No. 95-178, at 8 (filed Oct. 31, 1996)("WRNN Comments").

⁸ WRNN Comments at 9.

⁹ As Paxson noted in its Comments, the 1992 Cable Act clearly contemplates that, as a general rule, a qualified station will be entitled to carriage on systems within its market but outside it over-the-air service area, so long as the station pays to amplify or otherwise enhance sufficiently its signal level. *See* Paxson Comments at 14. Clearly, Congress anticipated (and the Commission acknowledged) market-wide carriage, provided that the station takes necessary steps to deliver a good quality signal to the cable headend.

Indeed, the Commission recently acknowledged that an industry-defined standard "reflect[s] the fact that a station's audience reach, and *hence its 'local market,' is not necessarily confined to the area of its broadcast signal coverage.* Rather, a station's over-the-air reach can be extended by carriage on cable systems and other multichannel delivery systems, as well as through such means as satellite and translator stations." *Second Further Notice of Proposed Rule Making*, MM Docket No. 91-221, FCC 96-438, ¶ 17 (rel. Nov. 7, 1996)(emphasis added); *see also* Separate Statement of Commissioner James H. Quello In re: Review of the Commission's Regulations Governing Television Broadcasting at 1.

and cable operators at the expense of the smaller stations Congress intended to aid and the competition and program diversity from such stations which it intended to foster.¹⁰

In addition to codifying the Bureau's improper reliance on Grade B coverage and distance, the proposal embodied in the *Further Notice* would also increase significantly the administrative burden placed on both the Commission's staff and private parties. As the National Association of Broadcasters ("NAB") aptly notes, the Commission's proposed evidentiary requirements would, in fact, "impose extraordinary costs and burdens on petitioners, even in situations where the market modification request is unopposed."¹¹ Moreover, Paxson strongly disputes suggestions that administrative efficiency will be enhanced because the addition of the proposed criteria will facilitate the market modification process by giving stations and cable systems

¹⁰ This is not to say, however, that Congress intended to support smaller broadcast stations beyond guaranteeing carriage throughout their respective markets. Contrary to the view expressed by the Southern Broadcast Corporation of Sarasota ("SBC"), the 1992 Cable Act and the Commission's rules are not designed to protect smaller broadcasters from competition, but rather, to grant smaller broadcasters access to competitive markets. See Comments of SBC, CS Docket No. 95-178, at 1 (filed Oct. 31, 1996) ("SBC Comments"). For example, although the "closer affiliate" rule requires a cable operator to carry the closer of two network affiliates, it allows -- but does not require -- the cable operator to carry both stations. Thus, the must-carry rule does not seek to protect a broadcaster from competition, but only to enable it to compete. See 47 C.F.R. § 76.56(b)(4)(ii)-(5).

In any event, SBC's concerns appear misplaced. The Commission's current rules specify that, for the purpose of syndicated exclusivity, the DMA does not define the relevant market. Instead, the Commission's listing of the top 100 markets -- *not* the DMA listings -- would apply to determine syndex rights within SBC's market. See 47 C.F.R. § 76.51. Therefore, to the extent SBC is concerned about the potential loss of syndicated exclusivity rights, its concerns can be addressed in a proceeding specifically addressing the syndicated exclusivity rules.

¹¹ NAB Comments at 4.

notice of the types of information that is considered important by the Commission.¹²

Both the statute and the Commission's rules are already quite clear regarding what information is relevant in the market modification process and what factors the Commission *shall* consider in analyzing modification petitions.¹³

Moreover, far from reducing the burden on the Commission's staff, the Commission's current 614(h) process actually encourages cable operators to file deletion requests by creating a standard for deletion that is far too lenient. The proposals put forth in the *Further Notice* do nothing to blunt this incentive. Instead, the Commission's latest proposals would make it even easier for cable operators to argue for -- and obtain -- the deletion of communities from a television market. Cumulatively, such actions will radically undermine the DMA-based must-carry regime established by Congress.¹⁴

In order to comply with Congressional intent and minimize the administrative burden associated with the market modification process, Paxson has suggested that the Commission should revise the procedures used in dealing with requests to *delete* communities from a station's must-carry market. Paxson submits that adoption of this course would allow the Commission to further the intent of Congress by precluding community exclusions that are, at bottom, based on a cable operator's desire to avoid

¹² See Post Comments at 11.

¹³ See 47 U.S.C. § 534(h)(1)(C)(ii)(I)-(IV).

¹⁴ See Paxson Comments at 9, 13.

its carriage obligations. At the same time, Paxson's proposal would foster the ability of new and struggling television stations to expand their local service offerings by increasing viewership and advertising revenues -- thereby allowing true competition to develop among all stations located within a television market. Paxson submits that the four-step approach set forth in its comments is the most effective mechanism for improving the Commission's market modification process.¹⁵ Not only will this approach further Congressional intent, but it will limit the number of modification decisions that merit Commission consideration by making modification of the ADI (or

¹⁵ Specifically, Paxson recommended that the Commission adhere to the following steps when evaluating deletion requests:

- 1) When a cable system seeks to exclude a community from the market of a particular broadcast station, the Commission should first determine whether the station is in the same DMA as a cable system.
- 2) If the community and station at issue are in the same DMA, the Commission should then determine whether the cable system requesting relief has devoted one-third of the aggregate number of usable activated channels on its system to the carriage of local commercial television stations, as required by the 1992 Cable Act.
- 3) If the cable operator has not devoted one-third of its channels to local stations, the Commission should presumptively deny the operator's request, as it could not further the "value of localism" as mandated by the statute nor could it further the mission of the FCC to foster the fullest use of the television spectrum.
- 4) If the cable operator has devoted one-third of its channels to local stations, the Commission should determine whether modification of the station's market would further the value of localism in accordance with the four factors set forth in Section 614(h)(1)(C)(ii) of the 1992 Cable Act.

See Paxson Comments at 11.

DMA) the exception envisioned by Congress rather than the rule implemented by the agency.

B. The Commission's Market Modification Process Should Provide Incentives for Stations to Provide the Local Programming Contemplated by Congress

Should the Commission determine not to take advantage of this opportunity to align implementation of the must-carry regime with Congressional intent, Paxson reiterates its view that, at a minimum, the Commission should apply a presumption in favor of market-wide carriage for stations that commit to providing locally produced public interest programming.¹⁶ In this regard, Paxson agrees with WRNN that, by failing to afford appropriate weight to stations' local programming, the Commission's proposal fails to produce incentives for broadcasters to continue to develop public interest programming. Indeed, by routinely granting the cable operators' modification petitions, these decisions serve only to *reduce* incentives to expand such programming and, thus, ultimately limit the total amount of service provided to the communities within a given market. As WRNN concludes, "[i]nstead of promoting localism . . . the Commission has penalized such stations [committed to serving their markets] by granting the cable operators' market modification petitions."¹⁷

Paxson itself serves as a prime example of this perverse result. As described in Paxson's comments, a number of local ethnic and minority-controlled or affiliated

¹⁶ See *Further Notice* ¶ 52, n.133.

¹⁷ WRNN Comments at 9.

organizations -- that would add to the diversity of local programming as Congress intended -- have declined to buy time on Paxson's WHAI-TV due to the station's inability to obtain carriage throughout the New York ADI as contemplated by the 1992 Cable Act.¹⁸ Paxson submits that the "circularity and arbitrariness of market definitions"¹⁹ will continue to be perpetuated unless, at a minimum, the Commission ensures that stations committed to providing locally-produced public interest programming are carried throughout their DMAs.

C. The Commission Should Provide *De Novo* Review of Past Modification Decisions to Delete a Station's Must-Carry Rights

Finally, consistent with its view that the Bureau's implementation of the 614(h) market modification process to date has been inconsistent with the intent of Congress, Paxson emphasized that *de novo* reexamination of past decisions is appropriate and necessary.²⁰ As demonstrated above, a return to market-wide carriage is clearly required to restore the rights Congress sought to establish for smaller, struggling

¹⁸ Paxson Comments at 27, n.58.

¹⁹ Reply Comments of WRNN-TV Associates Limited Partnership, CS Docket No. 95-178, at 5 (filed Feb. 26, 1996).

²⁰ Paxson Comments at 33.

television stations.²¹ The transition from the ADI to the DMA standard is an appropriate time to rectify past decisions undercutting that goal.

II. THERE IS NO NEED FOR THE COMMISSION TO DELAY FURTHER THE TRANSITION TO THE DMA STANDARD

The Commission has appropriately concluded that, starting with the 1999 election period, the DMA should be used as the baseline market-designation method-of-choice. Many comments submitted in response to the *Further Notice* focus on how the Commission should administer the proposed transition to a DMA standard. Not surprisingly, both the National Cable Television Association, Inc. ("NCTA") and The Small Cable Business Association ("SCBA") suggest that the Commission should grant additional time to cable operators to comply with the DMA standard and their must-carry obligations.²² Paxson strongly disagrees and submits that no additional time is needed beyond the three years already granted by the Commission when it decided to retain the ADI standard for the current must-carry election period.

For its part, NCTA requests that the Commission "provide a longer lead time for stations that were not previously carried to notify an operator that its system is

²¹ Of course, there is no reason to review Commission findings that a particular station indeed served communities outside of its ADI. Unlike the Commission's decisions removing a station's carriage rights essentially for failure to provide Grade B coverage throughout its entire ADI -- a test that virtually *no* station could pass -- decisions to add communities were generally based on demonstrated service to the communities in question.

²² See Comments of The National Cable Television Association, Inc., CS Docket No. 95-178, at 2-3 (filed Oct. 31, 1996)("NCTA Comments"); SCBA Comments at 2-14.

within the station's DMA, and for stations already carried to notify an operator whether they are also in the DMA."²³ According to NCTA, an additional 120 days will provide sufficient time to "conduct tests, prepare for channel realignments, and the like."²⁴

Paxson submits, however, that there is no need to lengthen the notification period. Relevant information about DMA assignments will be available with the publication of Nielsen's *1997-1998 DMA Market and Demographic Rank Report*. Since this report is scheduled for release in the summer of 1997, affected cable operators will have over two years to determine how the DMA standard will impact their operations before the next must-carry/retransmission consent election deadline of October 1, 1999. Two years certainly is sufficient time to conduct the tests NCTA views as necessary to prepare for the channel realignments that may result from any new carriage obligations. Moreover, given the already lengthy transition period, cable operators will have more than enough time to ensure that consumers are not confused -- or even inconvenienced -- by the impact of any new must-carry obligations.

²³ NCTA Comments at 3.

²⁴ *Id.* NCTA's comments are unclear, moreover, as to when the proposed 120 days will begin and whether the days are *in addition* to the already mandated 120 days in which the Commission must resolve market modification disputes. Certainly, NCTA does not mean to propose that the transition process take a full 240 days *after* the DMA standard is finally adopted in the 1999 election period. Such a delay is unnecessary and inconsistent with the Commission's goal of implementing the DMA standard as efficiently as possible. *See id.*

SCBA proposes that small cable operators be permitted to "opt-out" of the change in market definitions for the 1999 election period in order to minimize the regulatory burdens and costs on small cable system operators.²⁵ The practical effect of such an "opt-out" would be to delay the onset of the DMA standard for small cable operators for an additional 3 years -- until 2002. As a result, implementation of the DMA standard would be effectively delayed *a full six years* after Congress determined that the DMA is the most appropriate market designation standard. Paxson strongly believes that the three full years of transition time already built into the Commission's rules is more than adequate to allow *all* cable operators to prepare for the DMA standard. Moreover, allowing cable operators to opt out would cause unnecessary confusion, as a television station's carriage rights would be determined by the identity of the cable operator, rather than the location of the system. The Commission should therefore reject SCBA's request for more time.

Both NCTA's and SCBA's requests for additional transition time should be viewed for what they are -- nothing more than tactics designed to delay the point at which cable operators must fulfill their statutory must-carry obligations. Indeed, when NCTA's 120-day extension proposal is coupled with its totally inconsistent recommendation that cable operators be permitted to drop *immediately* broadcasters that were in the same ADI as a cable system but not in the same DMA,²⁶ it is even more

²⁵ SCBA Comments at 11-12.

²⁶ See NCTA Comments at 4.

evident that NCTA seeks to "have its cake and eat it too." Paxson submits that the Commission should not countenance such obstructionist tactics.

III. THE SECTION 614(h)(1) MARKET MODIFICATION PROCEDURE IS THE BEST METHOD TO DEAL WITH CHANGES IN DMAS OVER TIME

Paxson also urges the Commission to reject Post's contention that the Commission should ignore DMA modifications that are the product of a petition to Nielsen.²⁷ Post argues that such Nielsen-authorized modifications are not consistent with the Commission's objectives and disadvantage smaller stations that cannot afford to petition Nielsen.²⁸

Contrary to these claims, however, Congress clearly intended that the Commission look to a "commercial publication" for market determinations.²⁹ The Commission itself has recognized a DMA to be a dynamic market-designation index that most appropriately reflects the "actual market areas in which broadcasters acquire programming and sell advertising."³⁰ As the relevant television market changes over time, the marketplace, through the commercial publication, is able to reflect that change without the need for regulatory intervention. As Congress recognized, an

²⁷ Post Comments at 7-8.

²⁸ *Id.* at 6-8.

²⁹ 47 U.S.C. § 534(h)(1)(C)(i).

³⁰ *Report and Order* ¶ 39.

industry source like Nielsen is in the best position to determine accurately -- and quickly -- such market realities.

In any event, Post's concerns that a broadcaster or cable operator may abuse Nielsen's market designation process are wholly unsupported by evidence or past experience and are thus, purely speculative. As NAB notes, Arbitron "also had a petition procedure to modify ADIs for which no extraordinary Commission treatment was deemed necessary."³¹

Moreover, as NAB points out, the results of any Nielsen DMA assignments remain subject to challenge by a television station or cable system.³² In other words, the existing market modification process already serves as an appeal mechanism -- or "safety valve" -- that enables a broadcaster or cable interest to challenge any change in market designation with which it disagrees. Therefore, whether a market designation is a result of Nielsen's initial market-of-origin determination or modified pursuant to a petition, the market designation is *always* subject to appeal as specified in Section 614.³³

³¹ NAB Comments at 6, n.12.

³² *Id.* at 6.

³³ Post also argues that the Nielsen petition process represents an impermissible delegation of authority to a private party. See Post Comments at 7. First, Congress explicitly delegated the authority to designate television markets to such a commercial entity. Second, the appeal process is in no way encumbered by Nielsen's petition process. An aggrieved party is always free to challenge *any* determination by Nielsen (or other commercial entities) that it disagrees with.

Finally, from a standpoint of administrative efficiency, straightforward reliance on DMAs will provide certainty for both stations and cable operators, and will minimize the need for Commission involvement in market determinations. By specifying that a commercial entity assume responsibility for the market designation process, Congress clearly sought to rely upon the industry standard and to allow this standard to govern to the greatest extent possible. If, as Post suggests, markets modified by Nielsen after petition are not binding upon interested parties, the administrative burden upon the Commission -- and confusion among broadcasters and cable operators -- will be increased. For instance, many modification petitions submitted to Nielsen may be in support of unopposed changes. If such petitions are disallowed, the Commission will be forced to address even undisputed market modifications. Instead of placing the burden of market modification upon a commercial entity as Congress intended, Post's proposal would thus serve to further burden the Commission's already limited resources.

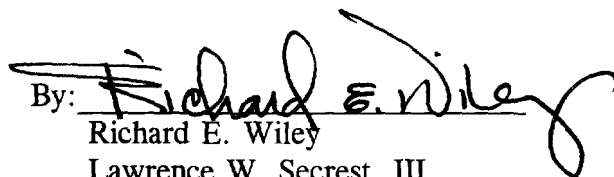
IV. CONCLUSION

For the reasons set forth above, Paxson continues to believe that the Commission's specific proposals to alter the market modification process through "evidentiary specifications" or reallocation of pleading burdens should not be adopted. As currently formulated, the Commission's proposals would do nothing more than undercut the presumption of carriage throughout the designated market intended by Congress. Instead, Paxson strongly urges the Commission to enhance and improve the

market modification process by adopting a decisional framework that will eliminate community deletions that serve only to allow cable operators to avoid their statutorily imposed carriage obligations. Moreover, in order to restore the must-carry requirements intended by Congress, Paxson urges the Commission to review *de novo* decisions that resulted in deletion of a station's must-carry rights. Finally, Paxson urges the Commission to reject any requests to extend the transition to the DMA standard beyond the three years already contemplated. Paxson submits that this approach will best serve to advance the values of localism as intended by Congress in its passage of the 1992 Cable Act.

Respectfully submitted,

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